REPUBLIC OF KENYA

THE NATIONAL TREASURY

DRAFT NATIONAL PAYMENT SYSTEM POLICY

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Acronyms and Abbreviations

Acronym	Full Meaning
AfCFTA	African Continental Free Trade Area
AFI	Alliance for Financial Inclusion
AML/CFT/CPF	Anti-Money Laundering, Countering the Financing of Terrorism and Counter-Proliferation Financing
API	Application Programming Interface
AU	African Union
BCB	Banco Central do Brasil (Central Bank of Brazil)
BIS	Bank for International Settlements
BoE	Bank of England
BOT	Bank of Thailand
CBK	Central Bank of Kenya
CFT	Countering the Financing of Terrorism
CHAP	Clearing House Automated Payments System
CMA	Capital Markets Authority
COMESA	Common Market for Eastern and Southern Africa
CPMI	Committee on Payments and Market Infrastructures
CPSS	Committee on Payment and Settlement Systems
CSD	Central Securities Depository
DFS	Digital Financial Services
EAC	East African Community
e-CNY	Electronic Chinese Yuan
EMI	Electronic Money Institution
EMR	Electronic Money Regulations
EPI	Electronic Payment Institution
EU	European Union
FATF	Financial Action Task Force
FCA	Financial Conduct Authority
FSA	Financial Services Agency
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board

Acronym	**Full Meaning**
FSC	Financial Services Commission
FSS	Financial Supervisory Service
GSMA	Global System for Mobile Communications Association
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ISO	International Organization for Standardisation
KBA	Kenya Bankers Association
KEPSS	Kenya Electronic Payment and Settlement System
KYC	Know Your Customer
MAS	Monetary Authority of Singapore
MPI	Major Payment Institution
NPCI	National Payments Corporation of India
NPS	National Payment System
PBOC	People's Bank of China
PFMI	Principles for Financial Market Infrastructures
PPI	Prepaid Payment Instrument
PSD2	Second Payment Services Directive
PSP	Payment Service Provider
RTGS	Real-Time Gross Settlement
UPI	Unified Payments Interface
VASP	Virtual Asset Service Provider

DEFINITIONS OF TERMS

Term	Definition
Agent	A person or entity authorised by a payment service provider to provide payment services on its behalf or any other person or entity that acts on behalf of, under the control of, or under an arrangement with, a payment service provider in relation to the provision of payment services.
Application Programming Interface	A set of protocols and tools that allow different software applications to communicate and exchange data securely and efficiently.
Central Bank	Refers to the Central Bank of Kenya (CBK), established under the Central Bank of Kenya Act (Cap 491), responsible for formulating and implementing monetary policy, promoting financial stability, and overseeing the national payment system.
Clearing	The process of transmitting, reconciling, and confirming payment orders prior to settlement, including the calculation of participants' net positions.
Cross-border Payments	Payments where the payer and the payee are based in different jurisdictions, involving the transfer of funds or value across national boundaries.
Cybersecurity	The protection of information systems from theft, damage, or disruption to hardware, software, or data.
Digital Financial Services	Financial services that rely on digital technologies for their delivery and utilization by consumers.
Digital Payment	An electronic transfer of value made through digital instruments or platforms, including mobile money, cards, or online banking.
Digital Public Infrastructure	Shared digital systems and platforms that enable seamless access to a wide range of public and private services.
Electronic Money	Monetary value represented by a claim on the issuer, stored electronically, issued on receipt of funds, and accepted as a means of payment by entities other than the issuer.
Fintech (Financial Technology)	Technology-driven innovation in financial services that improves the efficiency, accessibility, and convenience of financial products and services.

Term	Definition
Financial Inclusion	Ensuring access to affordable, useful, and timely financial products and services for all individuals and businesses, especially the underserved and unbanked.
Financial Market Infrastructure	A multilateral system among participating institutions, including the operator of the system used for the purposes of clearing, settling, or recording payments, securities, derivatives or other financial transactions.
Interoperability	The technical and operational capacity that enables different payment systems, platforms, or institutions to interact seamlessly and exchange information or value efficiently and securely.
Instant Payments (Fast Payments)	Payments in which the transmission of the payment message and availability of funds to the payee occur in real-time or near real-time, on a 24-hour, seven-day basis.
Know Your Customer	Requirements consisting of obtaining full particulars of the customer's identity and having a sound knowledge of the purpose for which the customer is seeking to establish or maintain a business relationship with a reporting institution
Mobile Money	An electronic wallet service that allows users to store, send, and receive money using a mobile phone.
National Payment System	The infrastructure, institutions, rules, and procedures that enable the transfer of funds between payers and payees and facilitate the circulation of money within the economy.
Open finance	Access, with the permission of a customer, by a third party to, and use of, the customer's data held by a payment service provider or payment system operator for the purposes of providing new and enhanced services to the customer and develop new business models
Oversight	A central bank function aimed at promoting the safety and efficiency of payment systems and ensuring compliance with regulatory requirements and standards.
Payment Instrument	Any instrument, device, or set of procedures agreed upon by a payer and a payee used to initiate a payment order.
Payment Service Provider	An entity licensed or authorised to provide payment services, including money transfer, payment processing, or issuance of electronic money.

Term	Definition
Payment System	A set of instruments, procedures, and rules for transferring funds among participants, including the participants themselves and the entity operating the system.
Payment System Operator	An entity that owns, manages and/ or operates core network infrastructure, technical switch and rules required to clear and settle transactions between different participants and users of the financial market infrastructure
Real-Time Gross Settlement	The real-time settlement of payments, transfer instructions or other obligations individually on a transaction-by-transaction basis.
RegTech	The use of technology to improve regulatory compliance, monitoring, and reporting processes in the financial sector.
Remittances	Funds sent or transferred by individuals across national borders, through formal payment channels.
Sandbox	A controlled environment established by regulators to allow innovators to test new products, services, or business models with real customers under supervision.
Settlement	The completion of a transaction where funds or securities are transferred between parties to discharge obligations.
Systemically important payment system (SIPS)	A payment system whose breakdown or failure could trigger a severe disruption among participants or spread wider shocks across the entire financial system.
Systemic Risk	The risk that the failure of one participant or component of a financial system could trigger a wider disruption or collapse of the entire financial system.
Virtual Asset	A digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes and does not include digital representation of fiat currencies, securities and other financial assets.
Virtual Asset Service Provider (VASP)	A company licensed under the Virtual Asset Service Providers Act (2025) to carry on the business of virtual asset services.

FOREWORD

The National Payment System (NPS) forms the backbone of Kenya's financial sector, facilitating the smooth, secure, and efficient transfer of funds across the economy. Over the past two decades, Kenya has earned global recognition as a pioneer in digital financial innovation, propelled by transformative advancements such as mobile money, fintech solutions, and the rapid digitisation of both public and private sector payments. These innovations have significantly enhanced financial inclusion, improved service delivery, and strengthened Kenya's position as a leader in the digital economy.

As the payment landscape continues to evolve, driven by technological advancement, globalisation, and the emergence of new market participants, there is a growing need for a modern, responsive, and forward-looking policy framework. The Policy provides this framework, articulating the Government's strategic vision for a robust, inclusive, and innovative payment ecosystem that supports national development priorities.

The Policy seeks to enhance the efficiency, safety, and resilience of the payment system, promote interoperability across institutions and platforms, strengthen risk management, and align Kenya's payments infrastructure with regional and global standards. It provides clear guidance for coordinated action among regulators, financial institutions, payment service providers, and other stakeholders to ensure that Kenya's payment ecosystem remains adaptive, secure, and future-ready.

Aligned with the objectives of Kenya Vision 2030 and regional frameworks such as the African Continental Free Trade Area (AfCFTA) and the East African Payment Systems Integration Strategy, this Policy reaffirms the Government's commitment to advancing digital transformation as a key enabler of inclusive growth and sustainable development.

I wish to acknowledge the Governor of the Central Bank of Kenya, Dr Kamau Thugge, and the staff of the Central Bank for their invaluable contributions to the development of this Policy, particularly through their insights, collaboration and technical expertise. Through the effective implementation of this Policy, Kenya will continue to build a payment system that is efficient, inclusive, innovative, and globally competitive, anchored on trust, integrity, and resilience.

HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY/THE NATIONAL TREASURY.

PREFACE

The National Payment System Policy marks a significant milestone in Kenya's ongoing journey toward building a secure, efficient, inclusive, and innovative payment ecosystem that supports the country's digital transformation agenda. Over the past two decades, Kenya has made remarkable progress in modernising its payment systems, driven by technological innovation, regulatory reforms, and strong collaboration between the public and private sectors. The success of mobile money and the rapid growth of fintech solutions have positioned Kenya as a global leader in digital financial services, transforming the way individuals, businesses, and government entities conduct payment transactions.

This Policy provides a coherent framework to guide the continued development and modernisation of the National Payment System in response to emerging opportunities and challenges. It seeks to strengthen the legal and regulatory environment, enhance interoperability across payment platforms, promote innovation, safeguard consumer interests, enhance risk management in the payment ecosystem and align Kenya's payment systems with regional and international standards.

The formulation of this Policy has been a collaborative and consultative process coordinated by the National Treasury, with valuable input from the Central Bank of Kenya and other key public and private sector stakeholders. Special appreciation is extended to financial institutions, payment service providers, development partners, and regional organisations whose contributions enriched the policy formulation process.

The National Treasury acknowledges every contribution that ensured that the Policy reflects the realities of Kenya's dynamic payment landscape and the aspirations of a digital economy. We also recognise the invaluable insights provided by participants during stakeholder consultations and public participation, whose perspectives shaped the Policy's priorities and interventions.

The successful implementation of this Policy will require continued collaboration among all stakeholders, government institutions, regulators, industry players, and consumers to foster a payment ecosystem that is secure, interoperable, and globally competitive. The National Treasury reaffirms its commitment to providing strategic leadership and coordination to ensure that Kenya's National Payment System continues to serve as a catalyst for financial inclusion, innovation, and sustainable economic growth.

DR. CHRIS K. KIPTOO, CBS.
PRINCIPAL SECRETARY/THE NATIONAL TREASURY.

EXECUTIVE SUMMARY

The National Payment System Policy provides a strategic framework for modernising, regulating, and strengthening Kenya's payment ecosystem to ensure that it remains safe, efficient, inclusive, and aligned with international standards. The Policy seeks to build on Kenya's strong foundation as a global leader in digital financial innovation, leveraging technological advancement to enhance interoperability, reduce transaction costs, and deepen financial inclusion. It responds to the evolving payment landscape characterised by rapid innovation, emerging financial technologies, increasing cross-border transactions, and the growing importance of cybersecurity and consumer protection.

Kenya's payment system has undergone a significant transformation, driven by mobile money, fintech innovation, and progressive regulation. These developments have positioned the country as a pioneer in digital finance and have contributed substantially to financial inclusion and economic growth. However, the legal and regulatory framework governing the National Payment System has not kept pace with the speed of technological and market developments. This has resulted in gaps in interoperability, oversight, and coordination among service providers and regulators. The Policy therefore provides a coherent response to these challenges, ensuring that Kenya's payment system remains future-ready and globally competitive.

The Policy's overall objective is to promote a modern, integrated, and resilient payment system that facilitates secure and efficient transfer of funds across all sectors of the economy. It aims to establish a robust legal and regulatory framework, enhance interoperability among banks, mobile money operators, and fintech platforms, promote efficiency and inclusivity in payment services, strengthen risk management and consumer protection, and advance regional and global integration to support seamless cross-border payments.

The Policy applies to all public and private sector entities involved in payment services, including government agencies, financial institutions, payment service providers and regional payment systems. Its implementation will be led by the National Treasury and Economic Planning in collaboration with the Central Bank of Kenya and other stakeholders through a structured multi-agency coordination mechanism. Regular monitoring, evaluation, and policy reviews will ensure that implementation remains aligned with emerging technologies and market developments.

Successful implementation of this Policy is expected to strengthen Kenya's legal and institutional framework for payments, achieve full interoperability across payment channels, enhance efficiency and affordability of payment services, improve systemic risk management, and deepen regional and global integration. Ultimately, it will position Kenya as a regional hub for digital payments and financial innovation, supporting inclusive growth, economic resilience, and the country’s transition toward a fully digital economy.

1. CHAPTER ONE: INTRODUCTION

1.1 Background

The global payment ecosystem has undergone an exponential transformation, driven by the rapid shift from traditional payment services to digital payment solutions. This transformation has been propelled by advances in financial technology, the growth of e-commerce, and increasing consumer demand for faster, safer and more convenient payment options. Against this global backdrop, robust and adaptive national payment systems have become a critical enabler of economic growth, financial inclusion, and financial stability.

The National Payment System (NPS) is a critical pillar of Kenya's financial sector infrastructure, enabling the transfer of funds between individuals, businesses, financial institutions, and government entities. Over the past four decades, Kenya's NPS has experienced a remarkable transformation anchored in the country's long-term development agenda under Vision 2030 and its successive Medium-Term Plans (MTPs). These policy frameworks provide the foundation for modernising payment infrastructure and enhancing efficiency across the financial ecosystem.

Key milestones in this evolution include the implementation of the Real-Time Gross Settlement (RTGS) system in 2005, the introduction of mobile money services in 2007, and ongoing enhancements to strengthen payment, clearing, and settlement processes. Additionally, Vision 2030 provided the impetus for the enactment of the NPS Act and the NPS Regulations, which aim to ensure a safe, secure, reliable, and efficient National Payment System.

Since the enactment of the NPS legal and regulatory framework in 2011, the payments ecosystem has continued to evolve, driven largely by mobile technology, increased internet penetration, high technology adoption and innovation across the financial sector. Key milestones in this transformation include the emergence of online payment gateways, the proliferation of mobile wallets, and the integration of financial services into super apps, which have created a more inclusive, efficient, and diversified financial landscape. These innovations have reshaped the way consumers, businesses and government transact. This has also contributed to greater financial accessibility, increased choices, growth in financial inclusion, lower transaction costs, and greater operational efficiency. Together, these developments have contributed to a gradual decline in reliance on cash-based transactions.

Building on these advances, Kenya's payment system currently comprises the Real-Time Gross Settlement (RTGS) platform, various payment instruments, the automated clearing house, electronic funds transfers, mobile money services, card-based payments and financial market infrastructures such as the DhowCSD. These systems collectively play a critical role in promoting economic growth and maintaining financial stability. The payment ecosystem is supported by a diverse range of licensed institutions within the financial sector, including commercial banks, payment service providers, money remittance providers, microfinance banks, building societies, and savings and credit cooperative organisations (SACCOs), among others.

Notwithstanding the progress achieved, Kenya's payment ecosystem faces several challenges and emerging risks that necessitate an overhaul of the current legal and regulatory framework. First, the National Payment System Act Cap 491A (NPS Act) and National Payment System Regulations 2014 are not fully aligned with the rapid pace of technological advancement, particularly in areas such as cross-border payments, interoperability, instant payments, digital currencies, and emerging payment innovations. This creates regulatory gaps that hinder innovation while exposing the financial system to risks such as fraud, cybercrime, money laundering, and operational inefficiencies.

Secondly, although mobile money has driven financial inclusion and interoperability between financial institutions such as banks, mobile money operators, and payment service providers, the broader payments landscape remains fragmented. This fragmentation has led to high transaction costs, inefficiencies and poor service. Delivery. Thirdly, despite Kenya's increased participation in cross-border trade and investment within the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA) and the African Union (AU) under the African Continental Free Trade Area (AfCFTA), the current framework does not adequately address regional and global payment integration. This potentially limits Kenya's competitiveness and resilience in the global financial system. Finally, gaps remain in consumer protection, particularly in data privacy, disclosure of fees, dispute resolution mechanisms, and protection of vulnerable users from predatory practices. These challenges limit the ability of the government, regulators, and market participants to fully harness the potential of payment systems in driving economic transformation.

Consequently, there is a need for a NPS that modernises Kenya's payments infrastructure, strengthens regulatory oversight, and promotes innovation while safeguarding financial stability. Consistent with the 2023 Budget Policy Statement, the Government has committed to supporting proposals by CBK to update the national payments legal and regulatory framework. It is against this backdrop that this NPS Policy has been developed to address existing gaps and support Kenya's broader objectives of digital transformation, regional integration, and inclusive economic growth, while ensuring that the payment ecosystem remains resilient, secure, and responsive to emerging trends.

1.2 Objectives of the Policy

The overarching objective of this Policy is to guide the establishment of a resilient, interoperable, and inclusive NPS that enables real-time, secure, and affordable transactions while promoting innovation, regional payment integration, and consumer protection.

Specifically, the Policy seeks to:

i) Guide and enhance the NPS legal and regulatory framework and other relevant laws.
ii) Ensure seamless interoperability across the payment ecosystem locally, regionally and globally.
iii) Ensure a payment system that is modern, safe, secure, efficient, affordable, accessible and inclusive.
iv) Strengthen risk management in the payment ecosystem.
v) Enhance consumer protection and market integrity in the payment ecosystem.

1.3 Rationale of the Policy

Kenya's payment ecosystem has grown rapidly through digital innovation and mobile money, yet the existing legal and regulatory framework has not kept pace with technological and market developments. The absence of a unified policy has led to fragmented payment systems, limited interoperability, and gaps in risk management and consumer protection. Emerging technologies such as instant payments, digital currencies, and open finance pose both opportunities and risks that the current framework does not adequately address. Moreover, Kenya's growing participation in regional and global trade calls for greater alignment with international standards. The NPS Policy therefore provides a coherent framework to modernise the NPS , strengthen regulatory supervision and oversight, promote innovation, and position Kenya as a competitive and resilient digital payments hub.

1.4 Scope of the Policy

This Policy applies to all participants in Kenya's NPS , encompassing payments to and by the national and county governments, financial institutions, payment service providers, consumers, payment system operators, cross-border payments and emerging innovations.

1.5 Guiding Principles of the Policy

The implementation of the NPS Policy shall be guided by the following principles:

i) **Safety and Security**
Uphold systemic risk management and ensure the resilience of payment systems.
ii) **Efficiency and Effectiveness**
Promote cost-effective, accessible, and interoperable payment services that enhance overall economic productivity.

iii) **Inclusivity**
Facilitate participation of all users, including underserved and vulnerable populations, to ensure equitable access to financial services.

iv) **Innovation**
Support the responsible adoption of new technologies through adaptive and forward-looking regulations.

v) **Consumer Protection and Market Integrity**
Safeguard users through transparency, fairness, financial literacy and awareness, and strong data privacy and security standards.

vi) **Collaboration and Transparency**
Foster effective collaboration and transparency among regulators, industry participants, and regional and international partners.

vii) **Local and International Standards**
Align legal and system frameworks with local and global standards.

1.6 Structure of the Policy

The NPS policy document is organised into six chapters. Chapter One (1) provides the background information on the NPS, policy objectives, rationale for developing the policy, its scope and guiding principles. Chapter Two (2) presents a situational and comparative analysis of developments and regulatory frameworks for the NPS from various jurisdictions, highlighting challenges encountered and lessons for Kenya.

Chapter Three (3) sets out the policy statements and outlines the government's commitments to achieving a national payment system that is safe, efficient, and inclusive. Chapter Four (4) outlines the coordination and administrative mechanisms necessary for effective policy implementation. Chapter Five (5) outlines the monitoring and evaluation process. Finally, Chapter Six highlights the review process of the Policy.

2. CHAPTER TWO: SITUATIONAL AND GAP ANALYSIS

2.1 Evolution of the National Payment System in Kenya

NPS has evolved significantly over the past four decades, transforming from a predominantly manual, paper-based system into a modern, technology-driven payment ecosystem. Prior to the 1990s, payments in Kenya relied heavily on cash and cheques, with slow and inefficient manual clearing processes. This period was characterised by delays, fraud, and a lack of real-time visibility in transactions. In 1998, the Nairobi Automated Clearing House (NACH) was automated as a catalyst for modernisation, laying the groundwork for faster and more reliable electronic clearing of cheques and electronic funds transfers (EFTs). In 2002, EFTs were formally introduced within the NACH, further enhancing payment efficiency and establishing expectations for electronic settlement.

The early 2000s also marked the beginning of structured reforms led by theCBK In 2003, the CBK was mandated to formulate and implement policies to best promote the establishment, regulation and supervision of an efficient and effective payment, clearing and settlement system. Leveraging on this mandate, the first NPS Framework and Strategy (2004–2008) was published, which charted a modernisation path to reduce systemic risk and improve efficiency.

A pivotal payment infrastructure arrived in 2005, when CBK introduced the Kenya Electronic Payment and Settlement System (KEPSS), RTGS system that facilitated high-value interbank transfers while minimising systemic risk. In the second half of the 2000s, CBK, in association with the Kenya Bankers Association, implemented collateral frameworks and same-day settlements to buttress stability. In August 2011, the CBK, in collaboration with KBA, introduced the image-based Cheque Truncation System (CTS), significantly reducing the cheque clearing cycle and advancing the modernisation of payment systems.

Running alongside these reforms and innovations was the rise of retail digital payments. In 2007, the launch of mobile money services revolutionised retail payments by enabling secure, affordable, and accessible digital transactions. The period also saw the development of card-based payments, internet banking, and early payment innovations that set the stage for a digital financial revolution.

The year 2011 also saw a pivotal moment in the NPS legal and regulatory framework through the enactment of the NPS Act and the issuance of the NPS Regulations in 2014. This provided a robust legal and regulatory foundation for the sector and strengthened CBK's oversight mandate, enhanced consumer protection, and promoted interoperability among payment service providers.

Between 2010 and 2025, Kenya witnessed a rapid digital transformation of its NPS, characterised by mobile money interoperability, regional payment integration, and expansion of payment solutions, including the integration of digital payment systems in government platforms such as eCitizen.

As part of this transformation, CBK also digitised government payment operations by migrating government payments to the RTGS and rolling out internet banking solutions for Ministries, Departments and Agencies as well as County Governments. These reforms increased efficiency, resilience, transparency, and fiscal control in public financial management. Regionally, in 2013, under the umbrella of the East African Community (EAC), the Partner States' Central Banks implemented a cross-border payment system linking their RTGS systems through the East African Payment System (EAPS). Further, in 2014, the Common Market for Eastern and Southern Africa (COMESA) introduced Regional Payment and Settlement System (REPSS) a cross-border payment system for its member states.

Despite the significant milestones achieved in the development of Kenya's payment ecosystem, the outbreak of the COVID-19 pandemic in 2020 introduced new challenges and underscored the importance of resilient and accessible payment systems. Government measures in response to the pandemic, including movement restrictions, curfews and social-distancing requirements, restricted physical interactions and accelerated the adoption of contactless and digital payment channels by individuals and businesses. In response, the government introduced a series of emergency measures, including the waiver of charges on selected mobile money transactions and transfers between mobile money wallets and bank accounts. These interventions encouraged the use of digital payments and minimised reliance on cash transactions during the pandemic. In June 2020, CBK completed a major upgrade of the KEPSS platform, expanding capacity to more than one million transactions per day. The major upgrade also enhanced Anti-Money Laundering, Countering the Financing of Terrorism and Counter- Proliferation Financing (AML/CFT/CPF) screening, improved browser accessibility, and strengthened liquidity tools, while preparing the KEPSS platform for ISO 20022 adoption and progression toward 24/7 availability.

In February 2022, CBK launched the NPS Strategy 2022–2025, articulating the vision of a secure, fast, efficient and collaborative payments system and setting priorities around trust, security, usefulness, choice and innovation. Building on this strategy, merchant and utility payment interoperability among mobile money operators was implemented, enabling customers to make payments to any merchant across all networks. As part of this strategy, per-transaction and wallet limits were also increased in response to demand from the payment industry and consumers.

A major milestone was achieved on October 14, 2024, when CBK successfully migrated KEPSS to the ISO 20022 global messaging standard to enhance straight-through processing, reconciliation, AML/CFT/CPF analytics, and improve domestic and cross-border interoperability. Further, on July 1, 2025, the KEPSS operating hours were extended to 12 hours, running from 7 am to 7 pm. The extension reflected a shift towards longer and ultimately near-continuous settlement windows to support real-time and instant payment demands from financial institutions and PSPs. In addition, CBK also published revised KEPSS rules and procedures to codify participant responsibilities, settlement finality, fees and contingency arrangements.

In November 2025, the CBK introduced mobile money payment capabilities on its award-winning DhowCSD platform, further expanding access to government securities for retail investors both locally and in the diaspora. This innovation underscores Government's commitment to financial inclusion by leveraging technology to simplify and broaden participation in the domestic debt market. Regional integration gathered pace in the same year with the East African Community's Monetary Affairs Committee (EAC MAC) approving the EAC Cross-border Payment System Masterplan, which seeks to establish an integrated payments environment across the EAC Partner States. This transformative initiative is aimed at enhancing financial integration, promoting regional trade and accelerating the region's journey toward a seamless, efficient, and secure payment ecosystem.

The current phase of NPS reforms focuses on enhancing interoperability, security, and regional integration, building on the CBK's National Payment Strategy (2022–2025), which promoted the principles of trust, security, usefulness, choice, and innovation. As the ecosystem continues to mature, the country is now pursuing a modern, unified, and adaptive framework for payments to ensure a resilient, interoperable, and inclusive national payment system that enables real-time, secure, and affordable transactions while promoting innovation, regional payment integration, and consumer protection.

2.2 The National Payment System Regulatory Developments in Kenya

Kenya's National Payment System is anchored under Section 4(A)(1)(d) of the CBK Act (CAP 491) and the NPS Act and Regulations, which vests primary responsibility for the regulation and supervision of payment systems and PSPs with the CBK. The NPS Act and Regulations require authorisation for entities that carry on payment services, give CBK powers to issue directives and impose supervisory requirements, and provide the legal basis for oversight of retail and wholesale payment infrastructures.

Since 2020, the CBK has moved from rule-setting into an explicit strategic agenda to modernise and future-proof the payments ecosystem. This effort is formalised through successive strategy documents, notably the National Payments Strategy 2022–2025, which emphasises goals of faster and more resilient payment infrastructure, full interoperability across payment platforms, consumer protection, broader financial inclusion, and a regulatory posture that supports innovation while managing risks such as AML/CFT/CPF, cybersecurity and operational resilience. These strategies also set out priorities for a "24/7" payments environment and industry collaboration to support a cash-lite economy in the payments infrastructure and operational front. CBK has updated rules and procedures for core systems and implemented operational reforms to improve availability and resilience.

The regulatory treatment of payment services has evolved under a "test-and-learn" approach, with licensing and supervision actively applied to payment service providers. The NPS Act provides for licensing, governance, and operational requirements for payment service providers. Complementary national laws, including the Data Protection and AML/CFT/CPF laws, further shape compliance requirements relating to data governance, privacy, and financial integrity across payment services.

A major regulatory frontier in 2025 was the enactment of the Virtual Asset Service Providers (VASP) Act, on October 15, 2025.The law assigns licensing roles to CBK and Capital Markets Authority (CMA), thus mainstreaming the regulatory perimeter while seeking to safeguard against financial stability and consumer protection risks. This development is likely to have direct implications for payment rails, PSP licensing and cross-border remittance products that integrate tokenised or stablecoin arrangements.

Collectively, these developments illustrate Kenya's consistent trajectory in strengthening the legal and supervisory foundations established by the NPS Act. The Government's emphasis on innovation-enabling policies and operational resilience not only positions Kenya to sustain its role as a leading market for digital payments in Africa but also heightens the need for coordinated oversight across data protection, AML/CFT/CPF and market integrity frameworks.

2.3 Existing Guidance by International Standard-Setting Bodies and Development Partners on National Payment Systems

International organisations and development partners provide well-established, complementary guidance that countries use when designing, upgrading and overseeing national payment systems. The guidance can be grouped into (a) global safety and risk management standards for systemically important payment systems; (b) operational and policy guidance for retail and fast payments, including cross-border flows; (c) technical messaging and interoperability standards; and (d) supervisory, inclusion, AML/CFT/CPF and implementation toolkits for mobile and digital payments. Key international standards and guidance are as follows:

2.3.1 Principles for Financial Market Infrastructures (PFMI) - BIS/CPMI & IOSCO

The PFMI are a set of internationally agreed core principles for safe and efficient payment, clearing and settlement infrastructures, including those that provide payment-transfer services. They focus on governance, comprehensive credit, liquidity, operational risk management, settlement finality, legal clarity, access, and transparency and are the starting point for national regulatory frameworks and oversight frameworks for systemically important payment systems.

2.3.2 CPMI Guidance on Retail, Fast and Cross-Border Payments

The Committee on Payments and Market Infrastructures (CPMI) has published targeted reports on (i) fast real-time retail payments and the risks or operational design features to consider; and (ii) cross-border retail payments, including friction, data standards and interoperability. These reports emphasise 24/7 availability, resilience, participant access, clear liability rules, and common data formats to reduce frictions. They also provide practical checklists for central banks and policymakers when promoting faster retail payment rails and addressing cross-border cost, speed and transparency problems.

2.3.3 General guidance for national payment system development (CPMI/CPSS)

Foundational guidance from CPMI/CPSS, including national payment system reform manuals, provides structured sequencing for reforms. These typically begin with establishing a robust legal framework, followed by governance and oversight arrangements, the development of core infrastructure for both large-value and retail payments, interbank settlement mechanisms, and policies aimed at broadening access and promoting financial inclusion. Such manuals continue to serve as a key reference for central banks in the preparation and implementation of national payments strategies.

2.3.4 World Bank and IMF Operational and Assessment Tools (Payment System Development Group and Financial Sector Assessment Program (FSAP))

The World Bank provides implementation toolkits, diagnostic frameworks and technical assistance for payment system design (including government payments and financial inclusion). On the other hand, the IMF and World Bank FSAP process assesses NPS resilience, supervisory frameworks, and systemic vulnerabilities. These instruments are commonly used to prioritise reforms and mobilise donor support.

2.3.5 AML/CFT/CPF and financial-inclusion guidance by the Financial Action Task Force (FATF)

The FATF recommendations and subsequent guidance, including guidance tailored to virtual assets, financial inclusion and risk-based approaches for mobile/digital channels, require jurisdictions to apply proportionate AML/CFT/CPF controls while preserving access. Practical guidance helps regulators balance inclusion goals with AML/CFT/CPF obligations (e.g., tiered KYC, agent networks, transaction monitoring suited to mobile flows).

2.3.6 Technical messaging and market standards

The global migration to the ISO 20022 messaging standard across multiple payment types, including cross-border payments, represents a significant international reform initiative. The standard enhances data richness, improves reconciliation and automation, and reduces frictions in cross-border payment processing. Consequently, national payment strategies increasingly recognise ISO 20022 readiness and message harmonisation as core technical and operational priorities for modern payment systems.

2.3.7 Mobile money, Digital Financial Services (DFS) toolkits and region-focused guidance provided by the GSMA, AFI

For jurisdictions with significant mobile money ecosystems, GSMA and AFI provide policy toolkits on e-money, agent networks, interoperability and risk management tailored to low-resource and inclusion-focused contexts. These toolkits complement PFMI/CPMI guidance by addressing practical regulatory options for e-money operators, agent oversight, and interoperable rails.

2.4 Regulation of Payment Systems and Services in Select Jurisdictions

The regulation of payment systems and services across jurisdictions reflects differing policy priorities, institutional structures, and stages of financial sector development. While all aim to ensure safety, efficiency, and consumer protection in payments, their approaches vary in scope and intensity. Advanced economies such as the United Kingdom, Denmark, and Estonia rely on harmonised frameworks derived from the European Union's Payment Services Directive (PSD2), which emphasises competition and innovation. In contrast, emerging markets like India and Brazil have taken state-led approaches, building robust national instant payment infrastructures such as India's Unified Payment Interface (UPI) and PIX, Brazil's instant payment system under strong central bank oversight.

Asian financial hubs such as Singapore, Japan, and South Korea employ risk-based, technology-neutral regulation to balance innovation with stability, while China maintains tight control over its vast digital payment ecosystem through the People's Bank of China (PBOC). Mexico and Thailand, meanwhile, have introduced comprehensive legal frameworks to govern fintech and e-payment activities. Collectively, these regulatory models highlight a global trend toward an integrated, inclusive, and secure digital payment ecosystem.
The analysis below covers selected jurisdictions:

2.4.1 Denmark (EU)

Regulators: Danmarks Nationalbank, Denmark's Central Bank, is responsible for the oversight of payment and settlement systems, while Finanstilsynet (the Danish Financial Supervisory Authority) conducts firm-level supervision of PSPs. Licensing and operational requirements for payment institutions are governed by the PSD2, which has been transposed into national law.

Key laws/framework: PSD2 (EU) is implemented nationally. Danish laws and Danmarks Nationalbank rules and guidelines govern the payment infrastructure and settlement systems.

Non-banks / licensing: Payment institutions and e-money institutions operate under PSD2-derived domestic rules and require authorisation from Finanstilsynet. Denmark has mature instant/real-time retail capabilities and widely used private solutions such as MobilePay in Nordic markets.

2.4.2 United Kingdom (UK)

Regulators: The Financial Conduct Authority (FCA) is responsible for authorising and supervising PSPs and electronic money institutions (EMIs). The Bank of England (BoE) provides oversight of systemic and settlement-related risks in payment systems. Historically, the Payment Systems Regulator (PSR) also exercised oversight functions. However, many of its responsibilities have gradually been integrated into the FCA and BoE regulatory structures.

Key laws/framework: **The Payment Services Regulations 2017 implement rules aligned with the EU's PSD2 framework and the Electronic Money Regulations (EMR).** The FCA also issues policy guidance on safeguarding and prudential controls for both PSPs and EMIs. Recent supervisory reforms and rule-tightening measures have continued through 2024–2025.

Non-banks / licensing: PSPs and EMIs must be authorised by the FCA (or passport under EU rules historically). The FCA enforces safeguarding of customer funds, prudential tests, reporting and anti-money-laundering requirements. New targeted rules on safeguarding and resilience for large e-money/payment firms were introduced recently.

Notable systems/features: The UK has a mix of large retail rails, such as the Bankers' Automated Clearing Services (BACS) and Clearing House Automated Payments System (CHAPS) and faster-payment systems. The UK also has a strong focus on open banking, APIs and consumer protection.

2.4.3 Estonia (EU)

Regulators: Eesti Pank, the Bank of Estonia, is responsible for monitoring payment statistics and overseeing payment systems to ensure operational efficiency and stability. The Finantsinspektsioon, or Estonian Financial Supervision Authority, performs prudential supervision and oversight of PSPs and EMIs. Additionally, the European Union legislation including the PSD2 and the Anti-Money Laundering Directives (AMLD), is transposed into national law and applied, providing a harmonised regulatory framework.

Key laws/framework: PD PSD2 and related European Union regulations. National legislation transposes these EU rules, establishing requirements for payment institutions and electronic money issuers, including reporting obligations and operational standards. In recent years, Estonia has issued additional decrees updating reporting and operational requirements, reflecting ongoing efforts to enhance oversight, transparency, and the resilience of the payments sector.

Non-banks/licensing: Payment institutions and e-money institutions are licensed under national transpositions of PSD2. Estonia is notable for a digital-friendly environment (e-Residency, etc.), but firms must meet EU prudential, safeguarding and AML obligations.

Notable systems/features: Estonia's framework and market practice largely follow EU rules (open banking, strong customer authentication, etc.) because it lies in the EU single market.

2.4.4 Canada

Regulator: Bank of Canada (BoC) and Payments Canada are jointly responsible for oversight, regulation, and operation of national clearing and settlement systems. The BoC supervises systemically important FMIs, while Payments Canada operates core payment rails such as the Automated Clearing Settlement System (ACSS), the retail batch payment system and Lynx, a high-value, real-time payment system.

Key laws/framework: The Canadian Payments Act, Payment Clearing and Settlement Act, and Retail Payment Activities Act.

Non-banks / licensing: PSPs are licensed and regulated by the BoC. The BoC also oversees FMIs to ensure systemic stability, while Payments Canada governs operational standards for ACSS, Lynx, and the upcoming Real Time Rail (RTR) set to be launched in 2026.

Notable systems/features: Lynx supports high-value, real-time payments, while ACSS handles retail batch clearing. RTR intends to introduce a nationwide instant payments platform. Canada's strong emphasis on ISO 20022 and message-based interoperability is converging towards modernised, data-rich payment infrastructures.

2.4.5 Singapore

Regulator: The Monetary Authority of Singapore (MAS) is the single consolidated regulator for payments and financial services.

Key laws/framework: The Payment Services Act (PS Act) 2019 establishes a consolidated, risk-based licensing framework for payment service providers, including a Major Payment Institution (MPI) regime to oversee large-scale and high-risk payment services. The PS Act also provides MAS with powers to oversee payment systems and digital payment tokens. MAS has issued detailed licensing guidance and set fit-and-proper criteria for applicants and licensees.

Non-banks / licensing: Under the PS Act, entities must obtain a licence from MAS to conduct payment services, with certain money-changing services partially excluded. Licenses are issued either as standard payment institutions or as major payment institutions (MPIs) for firms undertaking large-scale e-money operations or cross-border payment services. MAS requires all licensed entities to implement safeguarding measures and comply with AML/CFT/CPF obligations. Singapore's licensing framework is considered forward-looking, risk-based, and technology-neutral.

Notable systems/features: PayNow is Singapore's fast retail payment system and has robust cross-border payment initiatives with Southeast Asian countries such as Thailand. MAS encourages innovation while enforcing strong safeguards.

2.4.6 South Korea

Regulators: The Financial Services Commission (FSC) sets the policy, while the Financial Supervisory Service (FSS) conducts prudential supervision. The Bank of Korea maintains oversight of systemically important payment and settlement infrastructure.

Key laws/framework: The Electronic Financial Transactions Act, the Banking Act and other sector laws govern electronic payments, e-money and payment data. South Korea has also implemented regulatory modules for fintechs and open banking.

Non-banks / licensing: Non-bank PSPs are licensed under the Electronic Financial Transactions Act and related rules. The government has added AML/CFT/CPF and open banking requirements and actively supervises large payment platform players such as Kakao and Naver.

Notable systems/features: Key features are strong domestic digital payment apps (card, mobile wallets, aggregator platforms). Regulatory emphasis is on safety, consumer protection and competition.

2.4.7 Japan

Regulators: The Bank of Japan (BOJ) is responsible for the oversight of systemically important payment and settlement infrastructure, while the Financial Services Agency (FSA) is responsible for the licensing, regulation, and supervision of payment service providers.

Key laws/framework: Payment and settlement systems in Japan are governed by a framework of statutes, including the Payment Services Act, which, following amendments, also provides for the regulation of certain modern payment services and crypto assets. The Zengin interbank payment network and the BOJ Financial Network System (BOJ-NET) constitute the core national payment and settlement infrastructure.

Non-banks / licensing: Non-bank PSPs (e-money issuers, payment service providers) require authorisation under the Payment Services Act and are supervised for operational risk, consumer protection and AML/CFT/CPF. Japan has gradually modernised retail instant payments and e-money rules.

Notable systems/features: The Zengin system supports retail clearing, and BOJ-NET, which facilitates real-time settlement of large-value transactions, remain the backbone of Japan's payment infrastructure. In parallel, private-sector e-wallets and QR code payment services operate under statutory oversight, ensuring compliance with licensing, prudential, and consumer protection requirements.

2.4.8 Thailand

Regulator: Bank of Thailand (BOT) is responsible for the oversight of payment systems and the licensing of PSPs under the Payment Systems Act. The Ministry of Finance also plays a role in the licensing and regulation of certain types of payment services.

Key laws/framework: The Payment Systems Act designates payment systems and services. BOT requires licensing of PSPs and has the authority to set regulatory standards. BOT also issues rules for e-money, PSPs and interbank clearing.

Non-banks / licensing: Providers of designated payment services, such as card schemes, e-money issuers and transfer services must be licensed by the BOT. BOT also supervises operational risk, governance and AML. PromptPay, Thailand's national real-time retail payments, is a public success story.

2.4.9 China

Regulator: The PPBOC is the primary regulator of payment systems and non-bank payment institutions. Other ministries, such as market regulators, are involved in competition and consumer protection.

Key laws/framework: Recent regulatory developments include the issuance of the Regulations on the Supervision and Administration of Non-Bank Payment Institutions in 2023 by the State Council, China's executive and administrative body, with detailed rulemaking led by the PBOC. The regulations strengthen the prudential, governance, and risk-management requirements applicable to non-bank payment institutions. These regulations are complemented by PBOC circulars and administrative measures that provide ongoing supervisory control over non-bank payment activities, including the participation of large technology firms in the payment ecosystem.

Non-banks / licensing: Non-bank payment providers, including third-party mobile wallets and payment processors, require authorisation from the PBOC. The 2023 regulations strengthen capital, governance, data and risk-management requirements and introduce supervisory tools such as classification, filing of innovations and pre-filing in case of major events. Large tech players face stricter controls and higher capital and filing obligations.

Notable systems/features: The payments market is predominantly driven by non-bank mobile payment platforms, notably Alipay, WeChat Pay, and Tenpay. In parallel, the PBOC operates and pilots the central bank digital currency (e-CNY) and has progressively strengthened the regulatory oversight of large technology-based payment providers to address systemic risk, competition, consumer protection, and financial stability considerations.

2.4.10 Philippines

Regulator: Bangko Sentral ng Pilipinas (BSP) is the central authority responsible for regulating, supervising, and overseeing payment systems, electronic money issuers, and other PSPs.

Key laws/framework: The National Payment Systems Act (NPSA) provides the statutory foundation for regulating payment systems, ensuring systemic stability, efficiency, and consumer protection.

Non-banks / licensing: Payment system operators, electronic money issuers, and other PSPs must be licensed by the BSP and comply with governance, operational, cybersecurity, and consumer protection requirements. The designation framework for critical payment systems ensures heightened scrutiny of operators. Industry governance is complemented by the Philippine Payments Management Inc., which manages ecosystem rules not directly handled by BSP.

Notable systems/features: InstaPay and PESONet form the backbone of the Philippines' interoperable retail payment ecosystem. PhilPaSSplus supports real-time settlement for high-value transactions. The Philippines has achieved significant growth in digital payments adoption, supported by clear legal structures, collaborative governance, and strong regulatory emphasis on interoperability and resilience.

2.4.11 Mexico

Regulators: The Banco de México is responsible for the oversight of payment and settlement systems, while the Comisión Nacional Bancaria y de Valores (CNBV) is responsible for the licensing, supervision, and regulation of PSPs.

Key laws/framework: Fintech Law (2018) is the stand-out statute which expressly regulates fintechs, Electronic Payment Institutions (digital wallets), crowdfunding platforms and establishes a sandbox, AML/CFT/CPF and governance rules. Mexico retains traditional banking laws and CNBV oversight for banks.

Non-banks/licensing: Electronic Payment Institutions (EPIs) must be authorised under Fintech Law, with capital, AML/KYC, and operational requirements. The law is regarded as one of the first comprehensive fintech statutes in Latin America.

Notable systems/features: SPEI system, Banco de México's interbank settlement infrastructure, alongside rapid growth in fintech services and the regulated entry of neobanks. The Fintech Law has established clear regulatory pathways for electronic money and wallet providers.

2.4.12 Brazil

Regulator: Banco Central do Brasil (BCB), Brazil's Central Bank, has a strong, active role in payments policy and infrastructure provisions.

Key laws/framework: BCB has issued resolutions and circulars governing payment institutions and the PIX instant payment scheme (resolutions/regulations from 2020 onwards). BCB has been an active architect and regulator of instant payments and open banking.

Non-banks / licensing: Payment institutions must be authorised by the BCB. Participation rules for PIX and the instant payments ecosystem are set by the BCB, including mandatory participation thresholds for large institutions.

Notable systems/features: PIX, launched in 2020, is Brazil's instant payment system, which has very high adoption. PIX is a publicly operated infrastructure with commercial participants and strong inclusion objectives. The BCB continuously updates PIX's functionality

2.4.13 India

Regulator: The Reserve Bank of India (RBI) provides central oversight and licensing for payment system operators, prepaid payment instrument (wallet providers) and other payment system participants, while the National Payments Corporation of India (NPCI) operates key retail payment infrastructures, including the UPI, Immediate Payment Service (IMPS), and National Electronic Funds Transfer (NEFT).

Key laws/framework: The Payment and Settlement Systems Act, 2007 (PSS Act), gives RBI authority to regulate payment systems and providers. RBI has issued the Prepaid Payment

Instrument (PPI) guidelines and other circulars. NPCI operates UPI under multilateral governance.

Non-banks/licensing: PPIs, third-party payment providers and payment system operators require RBI authorisation and must meet operational safeguards on KYC/AML and grievance redress rules. The UPI model is a notable public-private operational architecture between the RBI, banks and the NPCI.

Notable systems/features: UPI, real-time mobile payments, is a global exemplar. Further, RBI's regulatory, stance increasingly emphasises competition, resilience, innovation and consumer protection for large fintechs.

2.4.14 Namibia

Regulator: Bank of Namibia (BoN) licenses, regulates, and oversees PSPs and PSOs.

Key laws/framework: The Payment System Management Act (PSMA), 2023, is the primary statute governing payment systems. It is complemented by the Bank of Namibia Act (2020), Currency and Exchanges Act (1933), Virtual Assets Act (2023), and a suite of regulations, circulars and directives. The framework covers traditional and emerging payment activities, including virtual assets.

Non-banks/licensing: PSPs and PSOs require BoN authorisation and must comply with operational, governance, AML/CFT, and risk-management standards. The PSMA strengthens oversight of both traditional and digital payment services.

Notable systems/features: Namibia's updated framework reflects a modernised approach that integrates virtual asset regulation with payment system oversight. PSMA's comprehensive scope positions Namibia to manage emerging risks while supporting innovation. .

2.4.15 Ghana

Regulator: Bank of Ghana (BoG) regulates, supervises, and oversees payment, clearing, and settlement systems. The BoG is supported by a Payment Systems Advisory Committee.

Key laws/framework: The Payment Systems and Services Act, 2019 (Act 987), defines payment systems broadly, covering rules, instruments, institutions, and infrastructure. It emphasises financial inclusion, consumer protection, and secure digital transactions.

Non-banks / licensing: PSPs, EMIs, and PSOs must be licensed by the BoG and comply with operational safeguards, and consumer protection standards. The framework explicitly mandates accessibility and inclusion without compromising stability.

Notable systems/features: Ghana's infrastructure includes the Ghana Interbank Settlement (GIS) system, Ghana Automated Clearing House (GACH), and Ghana Interbank Payment and Settlement Systems (GhIPSS) Instant Pay (GIP). The e-zwich biometric smartcard system is a distinctive feature supporting secure inclusive payments. Ghana's advisory committee provides structured technical input.

2.4.16 Uganda

Regulator: Bank of Uganda (BoU) is the competent authority for licensing, supervising, and enforcing rules for PSPs.

Key laws/framework: The National Payment Systems Act (2020) establishes the legal foundation for regulating payment systems. Supporting regulations emphasise transparency, data protection, dispute resolution, and operational resilience.

Non-banks / licensing: EMIs PSPs, aggregators, and fintech operators require authorisation from the BoU and must comply with KYC/AML rules, consumer protection standards, safeguarding of customer funds, and operational risk controls.

Notable systems/features: Uganda's framework explicitly recognises digital payments, mobile money, and electronic funds transfers as core components of the national payment ecosystem. The Act has a detailed classification of payment systems, strong consumer protection provisions, and a central-bank-led sandbox. The BoU's authority extends to securities settlement systems, supporting transactions in government and corporate instruments.

2.5 Lessons Learnt from the Select Jurisdictions

Kenya can draw the following valuable lessons from the experiences of these jurisdictions in strengthening its NPS legal and regulatory framework and promoting digital financial transformation. Accordingly, the country is advancing toward an integrated, risk-based, and innovation-friendly regulatory framework led by CBK. This framework will be anchored on interoperability, data governance, consumer protection, and cross-sector coordination, leveraging global best practices while adapting them to Kenya's local context.

i) **Establish an Integrated Legal and Regulatory Framework**

Kenya should adopt a comprehensive, risk-based regulatory framework that consolidates all payment system participants, including banks, mobile money operators, fintechs, and other non-bank PSPs under a unified legal structure. This will ensure consistency, reduce regulatory arbitrage and overlaps, and enhance oversight of emerging payment innovations.

ii) **Strengthen Central Bank Leadership and Coordination**

Drawing from India and Brazil, CBK should maintain a central role in developing, regulating, and supervising payment systems while coordinating closely with other regulatory agencies. This will promote efficiency, systemic stability, and a coherent approach to innovation and consumer protection.

iii) **Promote Interoperability and Shared Infrastructure**

Kenya should accelerate the development of an open and interoperable national payment ecosystem that integrates government, banking, and fintech platforms. Such infrastructure, comparable to India's UPI and Brazil's PIX, will enhance efficiency, inclusion, and transparency across the public and private sectors.

iv) **Regulation of Instant Payment Systems**

The implementation of a national instant payment system, capable of facilitating near real-time settlement of retail payments, enhances a country's global competitiveness while promoting domestic innovation in digital financial services. Experiences such as the Philippines' InstaPay and Thailand's PromptPay highlight the strategic importance of developing a fast payment system. In line with this, Kenya's proposed instant payment switch will be developed, implemented, and regulated as part of the ongoing modernisation of the NPS, strengthening efficiency, accessibility, and the overall competitiveness of Kenya's payments landscape.

v) **Enhance Regulatory Innovation and Fintech Support**

The Payment System Act (PSA) of Thailand is forward-looking legislation that fosters innovation by providing flexible licensing and regulatory mechanisms. This approach encourages the organic scaling and growth of fintechs and digital payments while balancing risk management. The CBK should establish a regulatory sandbox and innovation facilitation frameworks to provide a controlled environment for testing new payment technologies, products, and business models. This will encourage innovation while ensuring prudential oversight and consumer safety.

vi) **Implement Open Banking and Data Governance Frameworks**

Inspired by the United Kingdom and the European Union, Kenya should develop clear, open banking and data-sharing regulations that enable the secure exchange of financial information. This will support competition, promote innovation, and safeguard data privacy in line with the data protection laws.

vii) **Institutionalise Consumer Protection and Cybersecurity Standards**

Effective consumer protection mechanisms and cybersecurity standards are critical for the integrity of a payment system, as demonstrated by the Bank of Thailand's efficient and effective oversight of its payment services. Consistent with global best practices, Kenya should strengthen consumer protection frameworks by enhancing disclosure requirements, dispute resolution mechanisms, and redress procedures. Simultaneously, robust cybersecurity and operational resilience standards should be embedded across all PSPs.

viii) **Promote Regional and Cross-Border Payment Integration**

The *PromptPay-PayNow* collaboration between Thailand and Singapore emphasises how cross-border payment systems enhance regional integration. Kenya should collaborate with regional partners through the EAC, COMESA and the AU under the AfCFTA to facilitate cross-border payment interoperability. This will promote trade, remittances, and regional financial integration.

ix) **Build Capacity and Awareness**

Kenya should invest in continuous capacity building for regulators and financial institutions and enhance awareness among consumers to deepen understanding of emerging payment technologies, risks, and consumer rights. This will strengthen public trust and ensure sustainable adoption of digital payment systems.

2.6 Gaps and Challenges Identified in Kenya's National Payment System

Kenya's NPS has continued to evolve rapidly, supported by technological innovation, digital financial services and increasing adoption of electronic payments. However, gaps and challenges remain in the legal and regulatory framework, interoperability, resilience, data and information sharing, cybersecurity, consumer protection, participation in payment infrastructure, cross-border payments, financial literacy, governance and coordination.

The following gaps and challenges have been identified as the baseline against which implementation of this Policy will be monitored and evaluated.

i) **Legal Framework with Significant Gaps:** Kenya's NPS operates primarily under the NPS Act, 2011 and the NPS Regulations, 2014. The rapid evolution of payment technologies, business models and market structures has resulted in issues requiring further policy and regulatory clarity, including instant payments, open finance, virtual assets, digital currencies, emerging payment technologies, cross-border payments and oversight of financial market infrastructures.

The current policy therefore provides for review and modernisation of the NPS legal and regulatory framework to ensure it remains responsive to technological and market developments.

ii) **Limited Interoperability across Payment Platforms:** Kenya has made significant progress in interoperability, particularly within mobile money. Person-to-person interoperability was introduced in 2018, providing the foundation for further interoperability across mobile money services. In July 2022, CBK reported that full interoperability of mobile money services had been achieved among the participating mobile money providers, covering P2P, merchant and bill-payment transactions.

However, interoperability across the broader payment ecosystem including banks, mobile money providers, PSPs, payment systems and government payment platforms is not seamless across all use cases.

The Policy therefore identifies the remaining challenge as achieving full technical and operational interoperability across the wider payment ecosystem and proposes common standards, API specifications, local and global messaging standards and implementation frameworks.

iii) **Insufficient Payment System Resilience:** The increasing volume, speed and interconnectedness of electronic payments heighten the importance of operational resilience, business continuity, redundancy, cybersecurity and capacity across payment systems and critical service providers. Disruptions in a critical payment infrastructure or service provider may have implications beyond the affected institution and may affect confidence in the wider payment ecosystem.

Kenya has established regulatory and institutional measures for cybersecurity, risk management, incident response, business continuity and resilience for PSPs. Notwithstanding the regulatory and institutional foundations for resilience, the continuous growth and increasing interconnectedness of the payment ecosystem require ongoing strengthening of operational resilience, redundancy, capacity, incident reporting and coordinated response arrangements across the wider NPS.

iv) **Data Fragmentation and Limited Real-Time Visibility:** CBK and other relevant authorities currently collect and publish a range of payment-system and financial-sector statistics, while the FinAccess programme provides demand-side data on financial access, usage, quality and impact.

However, these data sources remain fragmented, with limited integration and delayed availability, and do not provide a single, comprehensive and real-time view of the NPS, thereby constraining integrated supervision, market monitoring, risk assessment and evidence-based policy formulation.

This Policy therefore provides for the establishment of an integrated NPS data framework that connects existing data sources across payment-system participants and other relevant authorities through common data standards, reporting requirements and secure data-sharing mechanisms.

v) **Cybersecurity and Emerging Technology Risks:** Rapid digitisation, increasing reliance on technology and growing interconnection between banks, PSPs, fintechs, payment systems and third-party technology providers, expose the payment ecosystem to cyber threats, fraud, operational disruption, data compromise and risks associated with emerging technologies and new business models.

The Government has established cybersecurity requirements for PSPs and established the Banking Sector Cybersecurity Operations Centre in 2025 and commenced harmonisation of the banking and PSP cybersecurity frameworks with the Computer Misuse and Cybercrimes (Critical Information Infrastructure and Cybersecurity) Regulations, 2024.

However, the evolving threat environment and emergence of new payment technologies require continuous strengthening of cybersecurity capabilities, incident reporting, threat intelligence, testing, third-party risk management and supervisory capacity across the NPS.

This Policy therefore provides for the strengthening of cybersecurity and technology risk management across the NPS through enhanced incident reporting, threat intelligence, testing, third-party risk management and supervisory arrangements, while addressing risks arising from emerging technologies and new business models.

vi) **Consumer Protection and Dispute Resolution Mechanism Gaps:** The rapid expansion of digital payments has increased the importance of effective consumer protection, transparent pricing, appropriate disclosure, fraud prevention, complaints handling and timely dispute resolution. Consumers may encounter challenges arising from failed, delayed, erroneous or unauthorised transactions, particularly where transactions involve multiple institutions or payment platforms.

Kenya has an established consumer-protection framework through the Consumer Protection Act and sector-specific requirements for payment and financial services. However, the rapid growth of digital and interconnected payment services creates emerging risks that require more consistent and coordinated consumer protection across the NPS.

This Policy therefore provides for the strengthening and harmonisation of consumer protection and dispute-resolution arrangements across the NPS, including disclosure, complaints handling, liability, fraud prevention and timely redress.

vii) **Non-Participation of Non-Bank PSPs in the Payment, Clearing and Settlement System:** Non-bank PSPs are important participants in Kenya's digital payments ecosystem. However, non-bank PSPs participation in core payment, clearing and settlement infrastructure is facilitated through banks, subject to appropriate safeguards relating to settlement risk, liquidity, operational resilience, and systemic risk thereby limiting participation to banks.

This Policy therefore provides for the enhancement of participation and access arrangements for eligible non-bank PSPs in core payment, clearing and settlement infrastructure, subject to appropriate regulatory, operational and risk-management safeguards.

viii) **Limited Cross-Border Payment Integration**: Kenya's increasing participation in regional and global trade requires payment arrangements that are fast, affordable, transparent, interoperable and accessible across borders. Kenya has established linkages with international and regional payment channels to facilitate cross-border payments and remittances.

However, challenges remain in relation to transaction costs, transfer times, interoperability, accessibility and efficiency. The 2025 Remittances Household Survey found that 83.3 per cent of respondents receiving cash remittances identified high cost as the most significant challenge, while long transfer times and limited interoperability were also reported.

This Policy therefore provides for the strengthening of cross-border payment integration through enhanced interoperability, affordability, efficiency, transparency and accessibility of cross-border payment channels.

ix) **Limited Public Awareness and Financial Literacy:** The increasing adoption of digital payments requires consumers and businesses to understand payment products, pricing, fraud risks, cybersecurity, data protection, complaints procedures and available avenues for redress.

Financial literacy and consumer awareness are recognised as important dimensions of financial inclusion and are monitored through frameworks such as FinAccess. However, gaps in awareness and understanding of digital payment services may increase consumers' exposure to fraud, inappropriate products and ineffective use of available payment services.

This Policy therefore provides for strengthened public awareness, financial literacy and consumer education initiatives to enhance informed, safe and effective use of digital payment services across the NPS.

x) **Gaps in Governance, Oversight, and Coordination:** The NPS ecosystem has grown significantly in size and complexity, bringing together multiple regulators, government agencies, financial institutions, PSOs, PSPs, technology providers and other stakeholders.

Existing regulatory and supervisory arrangements provide oversight across the respective mandates of relevant authorities. However, the growing number and diversity of participants, operating under different regulatory, risk-management and compliance arrangements, presents increasing challenges for effective coordination, oversight and consistent application of regulatory requirements across the NPS.

This Policy therefore provides for strengthening governance, oversight and coordination across NPS through enhanced inter-agency coordination, harmonised reporting standards, clear institutional roles and stronger supervisory capacity.

3. CHAPTER THREE: POLICY AND STRATEGIC INTERVENTIONS

This chapter addresses policy issues, interventions and implementation strategies geared towards addressing identified gaps and challenges within the NPS Sector, following the situational analysis as expounded in Chapter Two (2). The overarching objective of this Policy is to guide the establishment of a resilient, interoperable, and inclusive NPS that enables real-time, secure, and affordable transactions while promoting innovation, regional payment integration, and consumer protection.

3.1 Policy Objective

Guide and enhance the NPS legal and regulatory framework and other relevant laws.

3.1.1. Policy objective outcome

A modern integrated NPS legal and regulatory framework.

3.1.2 Policy Issue

Kenya's NPS operates under a legal and regulatory framework that has not kept pace with rapid technological innovations and evolving market dynamics, limiting efficiency, financial inclusion, security, and resilience in the payment ecosystem.

3.1.3 Policy Interventions and Strategies

Intervention 1: Update the NPS legal and regulatory framework and other related laws.

Strategies

The Government will undertake the following initiatives:

i) Conduct a comprehensive review of the existing NPS Act and its attendant Regulations to identify gaps and inconsistencies.
ii) Draft and enact a revised NPS Act.
iii) Develop other related statutory instruments to operationalise the revised NPS Act.

3.2. Policy Objective

Ensure seamless interoperability across the payment ecosystem locally, regionally and globally.

3.2.1. Policy Objective Outcome

Seamless interoperability across the payment ecosystem locally, regionally and globally.

3.2.2. Policy Issue

Fragmentation in Kenya's payment ecosystem limits efficiency, increases transaction costs, and hinders seamless interoperability across local and cross-border payments.

3.2.3. Policy Interventions and Strategies

Intervention 1: Develop clear legal and regulatory frameworks and standards to facilitate full technical and operational interoperability across all payment platforms.

Strategies

The Government will undertake the following under this initiative: -

i) Develop clear legal and regulatory frameworks to facilitate interoperability across all payment platforms.
ii) Develop technical standards and API specifications to enable interoperable real-time transaction processing across payment platforms.
iii) Develop implementation frameworks to facilitate full technical and operational interoperability across the payment ecosystem.

Intervention 2: Ensure full technical and operational interoperability among banks, PSPs, PSOs and other financial institutions.

Strategies

The Government will undertake the following under this initiative**:**

i) Provide incentives for financial institutions, PSOs and PSPs that adopt seamless interoperability.
ii) Foster collaboration and partnerships with regulators locally, regionally and globally on the facilitation of full interoperability across the payment ecosystem.
iii) Promote partnerships and engagements between local PSPs, PSOs and global payment networks for technical knowledge transfer.
iv) Mandate open API standards to facilitate seamless integration across financial systems, PSOs and PSPs.
v) Mandate adoption of national or global messaging standards to enhance interoperability across financial institutions, PSPs and PSOs.
vi) Implement regular compliance audits to ensure adherence to interoperability and operational standards.

3.3. Policy Objective

Ensure a payment system that is modern, safe, secure, efficient, affordable, accessible and inclusive.

3.3.1. Policy Objective Outcome

A fast, safe, secure, accessible, efficient and affordable payment system.

3.3.2. Policy Issue

Kenya’s NPS currently faces, fragmentation, limited interoperability, high costs, and security vulnerabilities.

3.3.3. Policy Interventions and Strategies

Intervention 1: Support the development of a modern payment infrastructure to support instant payments across the payment ecosystem.

Strategies

The Government will undertake the following under this initiative:

i) Develop and implement a digital public infrastructure.
ii) Develop and implement a national instant payment switch.
iii) Establish and operate financial market infrastructure.

Intervention 2: Promote financial innovation in the payment ecosystem.

Strategies

The Government will undertake the following under this initiative: -

i) Foster collaboration among co-regulators, the private sector, and other stakeholders in the payment ecosystem to facilitate the exchange of knowledge, best practices, and regulatory insights.
ii) Implement a regulatory sandbox or similar mechanisms to allow the testing of new products and services in a controlled and supervised environment.
iii) Develop clear and comprehensive licensing requirements for innovative payment services and products.
iv) Develop standards and supervisory guidelines for emerging areas, such as to encourage innovation while safeguarding consumer interests and system integrity.

3.4. Policy Objective

Strengthen risk management in the payment ecosystem.

3.4.1. Policy Objective Outcome

A safe, secure, reliable, and resilient national payment system.

3.4.2. Policy Issue

The rapid growth and digitalisation of Kenya's payment ecosystem have heightened exposure to cyber threats, financial crime, operational disruptions, and systemic risks, which affect consumer confidence and financial stability.

3.4.3. Policy Interventions and Strategies

Intervention 1: Implement Comprehensive Cybersecurity Frameworks.

Strategies

The Government will undertake the following in the payment ecosystem:

i) Develop and enforce cybersecurity frameworks.
ii) Mandate regular cybersecurity audits, penetration testing, and vulnerability assessments.
iii) Mandate timely reporting of cyber incidents and breaches to regulators.
iv) Adopt and implement relevant international standards on cybersecurity frameworks.

Intervention 2: Enhance Operational Resilience

Strategies

The Government will undertake the following in the payment ecosystem:

i) Develop and implement an operational resilience framework
ii) Mandate stress tests and scenario analysis for critical payment infrastructures and Systemically Important Payment Systems (SIPS) to ensure service continuity.
iii) Mandate all PSPs and PSOs to comply with regulatory guidelines.

Intervention 3: Strengthen Risk Management Practices

Strategies

The Government will undertake the following under this initiative in the payment ecosystem:

i) Develop and implement risk management frameworks.

ii) Establish a national incident response and coordination mechanism for systemic threats.

Intervention 4: Promote Risk Awareness

Strategies

The Government will undertake the following under these initiatives in the payment ecosystem:

i) Capacity- build the payment industry on emerging cyber threats, financial integrity, operational risk management, and regulatory compliance.
ii) Promote public awareness campaigns on safe and secure payment practices and fraud prevention.

Intervention 5: Strengthen Collaboration and Information Sharing

Strategies

The Government will undertake the following under this initiative in the payment ecosystem:

i) Foster public-private partnerships to enhance risk management, including contingency planning.
ii) Coordinate with regional and international regulators to mitigate cross-border cyber and operational risks.

3.5. Policy Objective

Strengthen consumer protection and market integrity in the payment ecosystem.

3.5.1. Policy Objective Outcome

A trusted and inclusive payment ecosystem.

3.5.2. Policy Issue

Consumers face risks associated with fraud, unauthorised transactions, lack of transparency in payments, unfair practices and limited access to payment innovations.

3.5.3. Policy Interventions and Strategies

Intervention 1: Strengthen consumer protection frameworks within the payment ecosystem.

Strategies

The Government will undertake the following initiatives in the payment ecosystem:

i) Establish customer complaints handling and dispute resolution frameworks.
ii) Establish liability and fraud prevention frameworks.
iii) Implement data governance mechanisms.
iv) Promote consumer awareness programmes.
v) Ensure transparent disclosure of fees, terms and conditions, and risks by all PSPs and PSOs.

Intervention 2: Promote market integrity and fair competition among financial institutions, PSPs and PSOs.

Strategies

The Government will undertake the following initiatives in the payment ecosystem:

i) Enforce licensing and regulatory compliance standards.
ii) Develop and implement market conduct supervision frameworks for PSPs and PSOs.
iii) Promote shared data standards to ensure fair access and competition.

4. CHAPTER FOUR: IMPLEMENTATION FRAMEWORK

Chapter (3) of this Policy provides a number of policy interventions and strategies intended to address the gaps and challenges identified with the NPS. The strategies will be implemented in the manner prescribed in the implementation matrix annexed as Annexure I of the policy. The implementation of this Policy has legal, institutional and financial implications.

4.1 Coordination Framework and Administrative Mechanisms

The implementation of the NPS Policy will be coordinated by The National Treasury in collaboration with the financial sector regulators and other relevant government agencies.

4.2 Legal and Regulatory Framework

This policy provides for the review of the NPS Act, NPS Regulations and other relevant laws, drawing from relevant international standards and global best practices.

4.3 Funding Arrangements

The implementation of this Policy will be funded by the National Government. Implementing agencies will mainstream the implementation into their annual work plans and budgets.

5. CHAPTER FIVE: MONITORING AND EVALUATION

A comprehensive Monitoring and Evaluation (M&E) Framework will be established to assess the progress in the implementation of this Policy. The National Treasury, in collaboration with relevant implementing agencies, will develop annual M&E plans to guide monitoring and evaluation processes. These plans will outline key activities, timelines, outcomes, data collection mechanisms, and reporting structures. The implementing agencies will prepare periodic reports detailing achievements, challenges, and lessons learnt. These reports will be shared with all stakeholders to promote transparency, accountability, and continuous improvement in policy implementation.

6. CHAPTER SIX: POLICY REVIEW

This Policy will be reviewed every ten (10) years, or earlier if circumstances arise that require alignment with regional and international frameworks or other emerging developments.

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ANNEXURE 1: IMPLEMENTATION MATRIX

No.	Objective	Expected Output	Policy Issue	Policy Intervention	Strategy	Implementing Institution	Budget (Ksh. 'million)
1.	Guide and enhance the NPS legal and regulatory framework and other relevant laws.	A modern Integrated NPS Legal and Regulatory Framework.	Kenya's NPS operates under a legal and regulatory framework that has not kept pace with rapid technological innovations and evolving market dynamics, limiting efficiency, financial inclusion, security, and resilience in the payment ecosystem.	Update the NPS legal and regulatory framework and other related laws.	i. Conduct a comprehensive review of the existing NPS Act and its attendant Regulations to identify gaps and inconsistencies. ii. Draft and enact a revised NPS Act. iii. Develop other related statutory instruments to operationalise the revised NPS Act.	The National Treasury, CBK Other Regulators (CAK, CMA, IRA, ODPC, SASRA)	

2.	Ensure seamless interoperability across the payment ecosystem locally, regionally and globally.	Seamless interoperability across the payment ecosystem locally, regionally and globally.	Fragmentation in Kenya's payment ecosystem limits efficiency, increases transaction costs, and hinders seamless interoperability across local and cross-border payments.	**Intervention 1:** Develop clear legal and regulatory frameworks and standards to facilitate full technical and operational interoperability across all payment platforms.	i. Develop clear legal and regulatory frameworks to facilitate interoperability across all payment platforms. ii. Develop technical standards and API specifications to enable interoperable real-time transaction processing across payment platforms. iii. Develop implementation frameworks to facilitate full technical and operational interoperability across the payment ecosystem.	The National Treasury, CBK Other Regulators (CAK, CMA, IRA, ODPC, SASRA)	
				Intervention 2: Ensure full technical and operational interoperability among banks, PSPs, PSOs and other financial institutions.	i. Provide incentives for financial institutions, PSOs and PSPs to adopt seamless interoperability. ii. Foster collaboration and partnership with regulators locally, regionally and globally on the facilitation of full		

interoperability across the payment ecosystem.

iii. Promote partnerships and engagements between local PSPs, PSOs and global payment networks for technical knowledge transfer.

iv. Mandate open API standards to facilitate seamless integration across financial systems, PSOs and PSPs locally, regionally and globally.

v. Mandate adoption of national or global messaging standards to enhance interoperability across financial institutions, PSPs and PSOs.

vi. Implement regular compliance audits to ensure adherence to interoperability and operational standards.

3.	Ensure a payment system that is modern, safe, secure, efficient, affordable, accessible and inclusive.	A fast, safe, secure, accessible, efficient and affordable payment system.	Kenya's NPS currently faces fragmentation, limited interoperability, high costs, and security vulnerabilities.	**Intervention 1**: Support the development of a modern payment infrastructure to support instant payments across the payment ecosystem.	i. Develop and implement a digital public infrastructure. ii. Develop and implement a national instant payment switch iii. Establish and operate financial market infrastructure.	The National Treasury, CBK Other Regulators (CAK, CMA, IRA, ODPC, SASRA)	

				Intervention 2: Promote financial innovation in the payment ecosystem.	i. Foster collaboration among co-regulators, the private sector, and other stakeholders in the payment ecosystem to facilitate the exchange of knowledge, best practices, and regulatory insights. ii. Implement a regulatory sandbox or similar mechanisms to allow the testing of new products and services in a controlled and supervised environment. iii. Develop clear and comprehensive licensing requirements for innovative payment services and products. iv. Develop standards and supervisory guidelines for emerging areas, such as to encourage innovation while safeguarding consumer interests and system		

					integrity.		

4.	Strengthen risk management in the payment ecosystem.	A safe, secure, reliable, and resilient national payment system.	The rapid growth and digitization of Kenya's payment ecosystem have heightened exposure to cyber threats, financial crime, operational disruptions and systemic risks, which affect consumer confidence and financial stability.	**Intervention 1:** Implement Comprehensive Cybersecurity Frameworks.	i. Develop and enforce cybersecurity frameworks. ii. Mandate regular cybersecurity audits, penetration testing, and vulnerability assessments. iii. Mandate timely reporting of cyber incidents and breaches to regulators. iv. Adopt and implement relevant international standards on cybersecurity frameworks.	The National Treasury, CBK Other Regulators (CAK, CMA, IRA, ODPC, SASRA)	

				Intervention 2: Enhance Operational resilience.	i. Develop and implement an operational resilience framework. ii. Mandate stress tests and scenario analysis for critical payment infrastructures and Systemically Important Payment Systems (SIPS) to ensure service continuity. iii. Mandate all PSPs and PSOs to comply with prudential guidelines.		

				Intervention 3: Strengthen Risk Management Practices	i. Develop and implement risk management frameworks. ii. Establish a national incident response and coordination mechanism for systemic threats.		

				Intervention 4: Promote Risk Awareness.	i. Capacity-build the payment industry on emerging cyber threats, financial integrity, operational risk management, and regulatory compliance. ii. Promote public awareness campaigns on safe and secure payment practices and fraud prevention.		

				Intervention 5: Strengthen Collaboration and Information Sharing.	i. Foster public-private partnerships to enhance risk management, including contingency planning. ii. Coordinate with regional and international regulators to mitigate cross-border cyber and operational risks.		

5.	Strengthen consumer protection and market integrity in the payment ecosystem.	A trusted and inclusive payment ecosystem.	Consumers face risks associated with fraud, unauthorised transactions, lack of transparency in payments, unfair practices and limited access to payment innovations.	**Intervention 1:** Strengthen consumer protection frameworks within the payment ecosystem.	i. Establish customer complaints handling and dispute resolution frameworks. ii. Establish liability and fraud prevention frameworks. iii. Implement data governance mechanisms. iv. Promote consumer awareness programmes. v. Ensure transparent disclosure of terms and conditions and risks by all PSPs and PSOs.	The National Treasury, CBK Other Regulators (CAK, CMA, IRA, ODPC, SASRA)	

				Intervention 2: Promote market integrity and fair competition among financial institutions, PSPsand PSOs.	i. Enforce licensing and regulatory compliance standards. ii. Develop and implement a market conduct supervision framework for PSPs and PSOs. iii. Promote shared data standards to ensure fair access and competition.	National Treasury, CBK Other Regulators (CAK, CMA, IRA, ODPC, SASRA)	